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C O N F I D E N T I A L SECTION 01 OF 04 NEW DELHI 001710

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TAGS: [ECON](#) [PGOV](#) [PINR](#) [IN](#)

SUBJECT: STATE ELECTIONS SET OFF POLITICAL TURMOIL IN INDIA

REF: A. NEW DELHI 1519

[1](#)B. MUMBAI 370

[1](#)C. CALCUTTA 91

Classified By: DCM Robert O. Blake, Jr. for Reasons 1.4 (B, D)

[1](#)1. (C) Summary: Attempts by Congress to grab power in Goa and Jharkhand has thrown the Indian domestic political scene into turmoil. Observers in Delhi see these moves as part of a larger strategy by Congress operatives to gain control over a majority of Indian states. Should Congress succeed in Jharkhand, Bihar is likely to be next. Congress has bet that it can win control of the North Indian Hindi Belt, and position itself to govern India for decades to come. The BJP is outraged, and has launched a vigorous counterattack, foreshadowing a period of protracted political infighting that will poison the political climate in the weeks and months ahead. These events have paralyzed the budget session of parliament, leading to doubts that it will be able to conduct business. The Jharkhand episode in particular has damaged the reputations of Sonia Gandhi and the technocratic Congress leadership, and emboldened the BJP. The Left, while not happy with these steps, appears willing to cooperate, because it fears a resurgent BJP. President Kalam is conferring with the Jharkhand governor on March 4, and he could convene the Jharkhand Assembly for a floor vote as early as March 7. With the GOI embroiled in domestic politics, some important initiatives in which the US is interested could be put on hold until the Congress/BJP battle is resolved. End Summary.

#### The Power Grab at the State Level

[1](#)2. (C) The Congress Party crossed something of a Rubicon recently when it launched a power grab in Goa (Ref B) and Jharkhand (Ref C). Despite its poor performance in the Jharkhand elections (Ref A) and the lack of a clear majority in Goa, Congress determined that it would manipulate the levers of power in New Delhi and compliant governors to consolidate its control of two more states. This outraged the opposition NDA, making political consensus next to impossible and setting off a protracted period of Congress/BJP infighting. The Congress move was a deliberate gamble for high stakes. If successful, it could solidify the Congress position and set the stage for a long period of Congress rule across the country. If not, a revived NDA could score serious blows against Congress.

#### The Master Plan

[1](#)3. (C) In our estimation, the Congress leadership decided that gaining control of state governments, resources and patronage would be so valuable to its bid to cement itself as the preeminent player in Indian politics that it paid little attention to appearances or consequences. The logic is that the Indian electorate has become so cynical that it will over time put aside its initial revulsion and accept these tawdry tactics, especially once Congress begins dispensing patronage. Most of the Indian public have long assumed that politicians are for sale to the highest bidder, and are not that shocked to see "independent" MLAs lining up to support Congress governments in exchange for ministerial berths and cash considerations.

[1](#)4. (C) There is much speculation in the Indian political class that Congress does not intend to stop with Jharkhand and Goa. Should it succeed there, commentators expect the party to use similar tactics to re-install Laloo Prasad Yadav and his wife Rabri Devi in Bihar, and then to go after the big prize - Uttar Pradesh (UP). Mohan Singh, a prominent MP from Mulayam Singh Yadav's Samajwadi Party (SP), predicted to Poloff recently that this was only the opening salvo in a concerted Congress assault aimed at recapturing the entire North Indian Hindi belt. According to Singh, the installation of a compliant governor in Lucknow willing to do its bidding is part of a Congress plan to undermine and bring down the SP government. BSP MP Ilyas Azmi, who is close to BSP leader Mayawati, confirmed to Poloff on March 3 that Congress is negotiating a Congress/BSP alliance aimed at rebuilding a coalition of Dalits, Muslims and upper castes capable of recapturing the state.

[1](#)5. (C) On March 1, well-connected journalist Saeed Naqvi

told Poloff that his interaction with the Congress leadership has convinced him that they have not abandoned their "old think" and are determined to use any tactics to recapture their old base in the Hindi belt, win an absolute majority in Parliament, and send a clear message to UPA allies that they must be compliant and accept Congress "leadership," or face marginalization. Naqvi insisted that this plan was out of step with present Indian realities, and the Congress must learn to deal honestly with regional parties. This was echoed by Azmi, who said that after capturing UP, Congress hopes to install UPA/Congress governments in Gujarat, Madhya Pradesh, Chhattisgarh and Rajasthan. He maintained that Rajasthan is being saved for last, as Chief Minister Vasundhara Raje is not as vulnerable as other BJP leaders.

#### Congress Viewpoints

16. (C) Congress politicians have downplayed the power grab, trying to depict it as a natural result of hung assemblies. Congress MP Maulana Obaidullah Azmi claimed that his party was only using tactics perfected by the BJP during the NDA government, while Nationalist Congress Party (NCP) MP Tariq Anwar said everything is going according to plan, except that by backing Shibui Soren for Chief Minister of Jharkhand, Congress provided an opening for the BJP to cry foul. He conceded that Soren "does not have a good image," but would nevertheless produce a clear majority on March 21, the current deadline for the UPA to prove its majority in the Jharkhand State Assembly. Congress ally D. Raja of the CPI rather disingenuously claimed that the BJP should not be upset about events in Jharkhand, as it could "prove its point," at that time.

17. (C) In a March 3 meeting with PolCouns Sonia loyalist and Congress spinmeister Rajiv Desai (strictly protect) was confident that when the dust settles, Congress would emerge the winner in Jharkhand and Bihar. Desai was also confident that Mrs. Gandhi would successfully disassociate herself from the more tawdry aspects of recent events, while insisting that Jharkhand Governor Razi was incapable of taking such a dramatic step on his own. Now that the Congress leadership has focused on Jharkhand and Bihar, he maintained, it will end the situation quickly. He named Defense Minister Pranab Mukherjee and Sonia loyalist Ahmed Patel as the key players in the damage control effort. Desai was optimistic that the controversy surrounding the elections would make it harder for the Left parties to attack the GOI's handling of economic issues, on the grounds that it fear a resurgent BJP more than reform.

#### BJP Viewpoints

18. (C) The power grab has the BJP up in arms and more united and engaged than at any time since its fall from power in May 2004. BJP MP Ram Nath Kovind denounced the Congress moves as a "danger to democracy," and claimed that "the myth of Sonia Gandhi as a great politician, known for her renunciation, has exploded." BJP MP Kalraj Mishra was even more scathing, stating "this exposes the real designs of the Congress, that the party cannot tolerate opposition and would like to monopolize all political activity. I am hopeful that the day is not too far off when these undemocratic acts will hugely benefit us."

#### What Will Be the Impact?

19. (C) The situation is extremely fluid and could change quickly. As of March 4, Congress has experienced dramatic setbacks, with a reactivated BJP dramatically flying in 41 MLAs at the President's residence in New Delhi, a fairly convincing display that it has the real majority in Jharkhand. BJP President LK Advani was quick to assert that since the BJP was the first to present a majority in the state assembly, Jharkhand Governor Syed Sibtey Razi should ask the party to form the government. Labeling Razi "a contract killer of democracy" being "micromanaged" by Sonia Gandhi, Advani demanded dissolution of the Soren government, its replacement by a BJP government, and Razi's recall. In view of this, President Kalam may request that Razi convene the Jharkhand State Assembly within 72 hours for a floor vote, according to the media.

110. (C) As the aggrieved party, the NDA now has an issue around which to rally the faithful and attract support. Before the budget session the BJP/NDA was clearly on a downward trend. The assembly elections were make or break contests for them, and they did well enough to revive their spirits and keep their hat in the ring. Almost everyone agreed that they should have formed the government in Jharkhand, as they were very close to winning a majority. Likewise, few are convinced that Congress/UPA has a clear majority in Goa and should form the government there. The Congress-led government confirmed its majority in a March 4

vote of the Goa State Assembly. Yet its majority remains razor-thin and vulnerable to the types of machinations that led to its gaining power in the first place (Ref B). In addition, the BJP is challenging its recent dismissal from power in Goa before the Indian Supreme Court, which could rule as early as March 4.

11. (C) Congress is banking on the fact that the Left parties will join with "all secular parties" to stave off a BJP/NDA resurgence. In a March 2 meeting with Poloff, Communist Party of India Secretary D. Raja confirmed that the Left was relatively happy with the budget and felt that Congress was responding to its calls for increased social spending and more taxation of the wealthy. He also confirmed that the Communists have committed their MLAs to the UPA effort in both Bihar and Jharkhand. Raja said that he fully expected a resurgent BJP/NDA to mount a counterattack, and the Left parties to stand with the UPA against it.

12. (C) In playing dirty, Congress has tarnished its image, and demonstrated that it has no long-term friends, only temporary allies. In Bihar, it allied first with the discredited Laloo, then with Paswan against Laloo, and is now back with Laloo against Paswan. There is a lingering distrust of Congress among Indian politicians and these developments will only encourage suspicion. Most will assess that regional parties that ally with Congress are self-serving and mercenary.

#### Long-term Implications

13. (C) Congress can expect its popularity to fall as a result of these moves. With the party strategy going poorly in Jharkhand, Sonia Gandhi and PM Manmohan Singh are distancing themselves from the effort. Congress spokeswoman Ambika Soni and others continue to insist that Mrs. Gandhi and the PM were not involved in the Jharkhand events, and that Governor Razi acted on his own. Despite these attempts at damage control, it will be difficult for Mrs. Gandhi and Manmohan Singh to keep their reputations untarnished, as most Indians assume they had a hand in events in Jharkhand and Goa. Should Congress gain control in both states, it is not likely to take long for most political players to decide that the balance of power has shifted and that it is best to go along with the new dispensation, take advantage of new opportunities, and cooperate with the newly-installed governments.

14. (C) The budget session of parliament is likely to be the first casualty. Few now expect it to conduct serious business during the remainder of the session, which ends on May 13. This means that the budget could pass without debate, which would make the Left happy, as its social initiatives would remain in place, unchallenged by the opposition. In return, the Left could decide to stress "secular unity" and tone down its public opposition to the UPA, resulting in a measure of "stealth economic reform," as Congress enacts economic measures without parliamentary debate or contentious squabbling with the Left. The Communists and Congress will need each other more than ever now, and we suspect that they will continue to coordinate, with the Left receiving some economic concessions in exchange for its political support.

#### Who is Responsible

15. (C) The UPA "core group" consisting of the PM, Mrs. Gandhi, and the "senior ministers" (Pranab Mukherjee, Arjun Singh, Shivraj Patil and Ghulam Nabi Azad) is coordinating the Congress handling of the state elections. The aggressive Congress strategy carries the trademark of hard-bitten professional politicians in the Congress leadership. The role of the PM and Mrs. Gandhi is not yet clear. It is conceivable that veteran ministers drafted the plan and presented it to Mrs. Gandhi for her approval. PM Singh has remained aloof from domestic political machinations and may not have been involved at all. Based on his reputation and priorities, we doubt he would have acquiesced in an approach that has clearly distracted energies from his priority of economic reform.

#### The Gamble

16. (C) Congress has decided to play a high-stakes gamble in hopes of restoring its position as India's pre-eminent political party, which controls a clear majority of state governments. Over the long term, Congress hopes that this will translate into a clear parliamentary majority for the UPA and ultimately for Congress. As recent events have demonstrated, such a plan can easily backfire. Should the BJP rally its supporters, present a majority in Jharkhand, and force Shibu Soren to step down, it would force Congress to go into a defensive mode and postpone its plans for other

states. Bihar could then face a protracted period of uncertainty. With Congress and the BJP locked in bitter combat, it could take several months for a clear winner to emerge, with major policy decisions taking a back seat to domestic politics.

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